
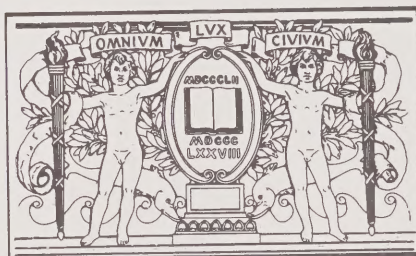


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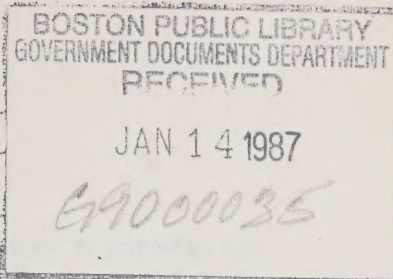




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G. HOUSING SHORTAGE

Summary

Boston's sharpening housing crisis is described by qualified observers in successively expansive superlatives. The rise in Boston's (metro area) housing prices in May was called "highest in the U.S.", in a Boston Globe article reporting the findings of a nationwide survey by the National Association of Realtors. In June, the New York Times quoted a Philadelphia Chase Econometrics analyst, in an article headlined "Housing Sales In Northeast Set A Hot Pace", as saying "There is nothing as crazy as the Boston market right now".

With a growth of 83,000 jobs since 1976, population and households have risen by 41,000 and 18,000, respectively, while the housing stock advanced by only 8,000 dwellings. The median price of a single family home in the City of Boston increased by 37 percent in 1985.

A housing vacancy survey conducted by the U.S. Postal Service for the Federal Home Loan Bank Board, in April 1985, found an overall vacancy rate of 2.5%. The Rental Housing Association of the Greater Boston Real Estate Board reported a rental vacancy rate of 0.9% in the Spring and Summer of 1985. Continued high levels of development investment, employment growth, and housing demand, in 1986, indicate a current (1986) overall vacancy rate of 1.5% to 2.0%, according to an assessment of the Boston Redevelopment Authority Research Department which monitors the Boston housing market.

These recent economic, demographic and housing trends in Boston represent a fundamental turn-around of the fortune of the City. Following World War II, Boston lost more than half its manufacturing jobs, the City was further impacted severely by the deep national recessions of the early 1970's, and the rate of unemployment reached 12.5%, in 1975; (the current rate is 4.5%). With job loss and suburbanization, Boston's population declined by almost one-third, between 1950 and 1980. With large scale attrition of jobs and population, Boston entered a throw-away housing era; demolition, conversions, and removal totalled 19,000 dwelling units from 1970 to 1980, equal to 8% of the City's 1970 housing stock.

While Boston shifted from a "throw-away" housing mode to one of scarcity about 1978, the vacancies reported in the federal decennial census of 1980 still reflected the vestiges of the earlier era. The true proportions of Boston's Housing crisis, consequently, are not reflected in data collected in the 1980 Census, which indicated an overall vacancy rate of 7.5%, and a rental vacancy rate of 8.3%. Even here, however, when long-term, primarily unrentable vacancies are excluded from the overall rate, the vacancy rate in 1980 drops to 2.8%, down from 4.7% in 1977. (See Emily Achtenbert, Preserving Affordable Rental Housing in Boston; an analysis of Recent Market Trends and Regulatory Policies, August 1984). The 1980 Census figures do not accurately reflect the realities of the 1986 rental housing market in Boston, which point to true vacancy rates of 1.5% to 2.0%.

Population Trends and Prospects

The Boston Redevelopment Authority estimates that Boston's population increased from 563,000 in 1980 to 604,000 in 1985. Boston's population is projected to grow to 680,000 in 1995, representing an increase of 76,000 (13%). (Boston Redevelopment Authority, The Boston Housing Market and its Future Perspective, October 1985). The effects of such rapid population growth on the rental housing market are exacerbated by the reduction in overall household size from 2.8 persons per household in 1970 to 2.4 persons per household in 1985. Approximately 55% of all Boston renter households are comprised of young adults, 1-2 person households, and unrelated individuals sharing apartments. (See Achtenberg, August 19840).

While a portion of the population growth can be traced to a natural increase in births, much of the growth is due to the reversal of net migration and the increased attractiveness of jobs and urban lifestyles to the young adult population aged 19-39 years.

Economic Development and Jobs.

Economic growth is one of the strongest factors driving population gains in Boston during the 1980's. Between 1976-1985, 83,000 new jobs were created in Boston. Employment projections by the Boston Redevelopment Authority show an average annual employment growth of 10,000 from 1985-1995. (Boston Redevelopment Authority, Populations Projections for Boston... to the Year 2000, August 1985).

Inflation in Rental Prices

These factors, coupled with relatively modest gains in the construction of new housing units in the city have helped to create dramatic increases in the average rents for Boston apartments. The following table documents this inflationary spiral:

TABLE 1:

MEAN GROSS MONTHLY RENTS OF BOSTON APARTMENTS
(Excluding Newly Constructed and
Substantially Rehabilitated Units)

<u># of Units</u>	<u>1982</u>	<u>1985</u>	<u>Total % Increase</u>	<u>Annual Increase</u>
0 BR	\$359	\$528	47%	18%
1 BR	\$420	\$661	57%	21%
2 BR	\$515	\$863	68%	25%
3 BR	\$592	\$1041	76%	28%
4 BR	\$703	\$1293	84%	31%

(Taken from a study prepared by F. Price in March, 1986, for the Boston Housing Authority.)

If newly constructed and substantially rehabilitated units are included, the mean gross monthly rents in 1985 rise to \$584 for a studio, \$738 for a 1 BR unit, \$1002 for a 2 BR unit, \$1220 for a 3 BR unit, and \$1462 for a 4 BR unit.

Condominium Conversion

The surge of condominium conversions over the past few years, serving both to diminish the overall rental housing stock and to increase the mean monthly gross rents for those units rented out by investors after conversion, has helped fuel these increases.

Between 1969-1985, 18,526 condominium units were created through conversion from prior uses, representing approximately 86% of all condominium units in Boston. Of these units, only 7.9% were converted from non-residential uses. (Boston Redevelopment Authority, Update on Additions to Boston's Condominium Stock through December 31, 1985, June 2, 1986).

Income and Poverty

No group is more affected by these trends than low-income persons and households in poverty. As of spring, 1985, 21% of Boston's population was classified as "in poverty" (less than \$10,600 for a family of four). (Boston Redevelopment Authority, The Boston Housing Market and its Future Perspective, October 1985). The enclosed letter from Paul Graziano, Assistant Administrator for Leased Housing for the Boston Housing Authority, indicates that only 3.2% of nearly 10,000 Boston apartment listings fell within the newly published Section 8 fair market rents. Boston Section 8 Certificate holders able to secure approvable housing required between 30-60 day extensions of the certificate term. The number of applicants on the Boston Housing Authority's public housing waiting list currently exceeds 12,700, even though the total number of elderly and family units in BHA developments is less than 16,000.

Housing Needs Analysis

The Executive Office of Communities and Development (EOCD) recently completed a housing needs analysis of major cities and towns in the Commonwealth. The EOCD analysis surveyed the need for rental housing. For the purpose of the EOCD survey, need was defined as households who met one of the following criteria:

- (1) households who pay over 25% of their income towards rent;
- (2) households living in substandard conditions; (3) households living in over-crowded conditions. The survey defined the need as the gap between the housing requirements of the population expressed in unit cost and size and the supply of standard units in corresponding cost and size. Their 1984 Housing Needs Study revealed a remaining need in Boston of 39,298 family units and 18,576 elderly units (see attached)

Rental Vacancy Rates

A recent, definitive measure of the current crisis in affordable housing appeared in a survey conducted in the Spring and early Summer of 1985 by the Rental Housing Association, of the Greater Boston Real Estate Board. Based on a sample of 1887 privately owned regulated units in Boston, the RHA found a vacancy rate of only 0.9%.

Overall Housing Vacancy Rate

One of the most current indices of the true vacancy rate in Boston is that of the Federal Home Loan Bank Board sponsored U.S. Postal Survey-Housing Vacancy Report, funded by the U.S. Department of Housing and Urban Development, and conducted in April, 1985. This study found the overall vacancy rate among multi-family units in Boston at 2.8%. An analysis of the correlation between vacancy rates and zip codes, however reveals a significantly higher vacancy rate in the Boston Housing Authority. This correlation leads to the conclusion that many of the substandard uninhabitable units in BHA developments may have been included in the FHLBB's 2.8% overall vacancy rate estimate. A survey conducted by the Boston Housing Authority on July 2, 1986 (see attached) reveals an existing supply of 1,989 uninhabitable units. Subtracting these uninhabitable units from the 5,326 vacant units estimated by the FHLBB leads to a true overall vacancy rate of 1.8%.

Conclusion

The high population and employment growth, the inflation of rental prices in Boston, at an average annual rate of 37 percent over the past three years, the accelerated condominium conversions in Boston in the last two years, the significant difficulties in finding acceptable housing experienced by Section 8 certificate holders, and the other factors discussed in this section, point to the shortcoming in using the 1980 Census data as a valid indicator of the current overall and low-income vacancy rates in Boston. In reality, the analysis presented here demonstrates a true overall vacancy rate of 1.8 to 2.0%. Using the 1985 RHA survey as an indicator of the vacancy rate of units which are affordable to low-income households, the current vacancy rate for regulated and rent controlled rental dwellings stands at approximately 0.7% percent.

